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SEYFARTH, SHAW, FAIRWEATHER & GERALDSON
ATTORNEYS AT LAW

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006-4004
(202) 463-2400
FAX (202) 828-5393

ONE CENTURY PLAZA - SUITE 3300
2029 CENTURY PARK EAST
LOS ANGELES, CA 90067-3063
(310) 277-7200
FAX (310) 201-5219

900 THIRD AVENUE
NEW YORK, NY 10022-4728
(212) 715-9000
FAX (212) 752-3116

101 CALIFORNIA STREET - SUITE 2900
SAN FRANCISCO, CA 94111-5858
(415) 397-2823
FAX (415) 397-8549

455 CAPITOL MALL - SUITE 302
SACRAMENTO, CA 95814-4308
(916) 558-4828
FAX (916) 558-4839

55 EAST MONROE STREET - SUITE 4200
CHICAGO, ILLINOIS 60603-5803
(312) 346-8000
FAX (312) 269-8869

WRITER'S DIRECT DIAL

(312) 269-8930

INTERNATIONAL
AVENUE LOUISE 500, BOITE 8
1050 BRUSSELS, BELGIUM
TELEPHONE (32) (2) 647.60.25
FAX (32) (2) 640.70.71

SEYFARTH, SHAW & WONG
80 RAFFLES PLACE
#58-01 UOB PLAZA
SINGAPORE 0104
(65) 532-4588
FAX (65) 532 5711
(65) 532 5722

AFFILIATE FIRMS
MATRAY MATRAY & HALLET
BRUSSELS AND LIEGE, BELGIUM
COLOGNE, GERMANY

May 18, 1995 19437

MAY 20 1995 - 9 11 AM

RECEIVED MAY 20 1995

VIA COURIER

Secretary
Interstate Commerce Commission
Room 2311
Washington, DC 20423

Re: DOCUMENTS FOR RECORDATION

Dear Secretary:

I am an attorney representing a party to the enclosed documents. I have enclosed two original counterparts, an original and a certified copy or two certified copies of each of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the United States Code and the regulations adopted thereto. The documents are:

1. Lease, a primary document, dated as of May 1, 1995, together with Riders 1, 2 and 3 thereto. The names and addresses of the parties to the foregoing document follow:

Lessor: Interail, Inc.
One Foxfield Square, Suite 200
St. Charles, Illinois 60174-5732

Lessee: Canadian National Railway Company
935 De La Gauchetiere St. West
Floor #4, Car Management
Montreal, Quebec, CANADA H3B 2M9

The equipment covered by the foregoing document follows: Forty-nine 70-ton, 50-foot, 6-inch XP cushioned plate C boxcars marked and numbered NOKL 16100 through 16149 inclusive.

2. Assignment of Lease, a secondary document, dated as of May 25, 1995. The primary document to which this document is connected is the Lease dated as of May 1, 1995, by Interail, Inc., in favor of Harris Bank Winnetka N.A., referenced in paragraph number one above. The names and addresses of the parties to the foregoing document follow:

Counterparts -

Page Two

Assignor: Interail, Inc.
One Foxfield Square, Suite 200
St. Charles, Illinois 60174-5732

Assignee: Harris Bank Winnetka N.A.
520 Green Bay Road
Winnetka, Illinois 60093

The equipment covered by the foregoing document follows: Forty-nine 70-ton, 50-foot, 6-inch XP cushioned plate C boxcars marked and numbered NOKL 16100 through 16149 inclusive.

3. Security Agreement, a primary document, dated as of May 25, 1995.
The names and addresses of the parties to the foregoing document follow:

Secured Party: Harris Bank Winnetka N.A.
520 Green Bay Road
Winnetka, Illinois 60093

Obligor: Interail, Inc.
One Foxfield Square, Suite 200
St. Charles, Illinois 60174-5732

The equipment covered by the foregoing document follows: Forty-nine 70-ton, 50-foot, 6-inch XP cushioned plate C boxcars marked and numbered NOKL 16100 through 16149 inclusive.

A fee of \$63.00 is enclosed. Please return any extra copies not needed by the Commission for recordation and the enclosed copy of this letter, each stamped with your recordation numbers, to Stacy Powell-Bennett, 55 East Monroe Street, Suite 4200, Chicago, Illinois 60603, in the enclosed self-addressed and prepaid Federal Express envelope.

A short summary of the documents to appear in the index follows:

1. Lease dated as of May 1, 1995, together with Riders 1, 2 and 3 thereto, between Interail, Inc., St. Charles, Illinois, and Canadian National Railway Company, Montreal, Canada, covering the following equipment: Forty-nine 70-ton, 50-foot, 6-inch XP cushioned plate C boxcars marked and numbered NOKL 16100 through 16149 inclusive.

2. Assignment of Lease dated as of May 25, 1995, by Interail, Inc., St. Charles, Illinois, and Harris Bank Winnetka, N.A., Winnetka, Illinois, covering the following equipment: Forty-nine 70-ton, 50-foot, 6-inch XP cushioned plate C boxcars marked and numbered NOKL 16100 through 16149 inclusive.

3. Security Agreement dated as of May 25, 1995, by Interail, Inc., St. Charles, Illinois, and Harris Bank Winnetka, N.A., Winnetka, Illinois, covering the following equipment:


19437

MAY 17 1995 4:45 AM

NOTARY PUBLIC - COVINGTON, ILLINOIS

CERTIFIED COPY

I, Stacy Powell-Bennett, the undersigned affiant, certify and affirm that I have compared the attached copy with the original and have found the copy to be complete and identical in all respects to the original document.


Stacy Powell-Bennett

STATE OF ILLINOIS)

SS.

COUNTY OF C O O K)

The foregoing instrument was acknowledged before me this 16th day of May, 1995, by Stacy Powell-Bennett.


NOTARY PUBLIC



19437

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made as of this May 25, 1995, by INTERAIL, INC. a Kansas corporation (the "Borrower"), in favor of HARRIS BANK WINNETKA N.A., a national banking (the "Lender"); witnesseth:

Recitals

The Borrower has applied to the Lender for a loan in the principal amount of \$980,000 (the "Financial Accommodations") pursuant to the provisions of a certain Loan Agreement of even date herewith by and between the Lender and the Borrower (the "Loan Agreement"). The Financial Accommodations are to be evidenced by, and repaid with interest in accordance with provisions of, a Promissory Note of even date herewith from the Borrower payable to the Lender in the principal amount of the Financial Accommodations (the "Note"). The Lender has required, as a condition to the making of the Financial Accommodations, the execution of this Agreement by the Borrower.

NOW, THEREFORE, in order to secure (a) the prompt payment of all past, present, and future indebtedness, liabilities, and obligations of the Borrower to the Lender of any nature whatsoever in connection with the Financial Accommodations, including, without limitation, the Liabilities (as defined in the Loan Agreement) (collectively the "Borrower's Liabilities"), and (b) the performance by the Borrower of all of the terms, conditions, and provisions of this Agreement, the Loan Agreement, the Note, and of any other note, security agreement, pledge agreement, guaranty agreement, mortgage, deed of trust, loan agreement, hypothecation agreement, subordination agreement, indemnity agreement, letter of credit application, assignment, or any other document previously, simultaneously, or hereafter executed and delivered by the Borrower and/or any other person, singly or jointly with another person or persons, evidencing, securing, guaranteeing, or in connection with any of the Borrower's Liabilities (collectively, the "Loan Documents"), the Borrower agrees with the Lender as follows:

1. Collateral. The Borrower hereby grants to the Lender a security interest and mortgage in the following property of the Borrower:

A. the railroad cars described in Exhibit A attached hereto and made a part hereof by reference, together with (i) all additions, parts, fittings, accessories, special tools, attachments, and accessions now and hereafter affixed thereto and/or used in connection therewith, (ii) all replacements thereof and substitutions therefor, and (iii) all cash and non-cash proceeds and products thereof (the "Railcars").

B. all of Borrower's right, title and interest in and to the Lease Agreement dated as of May 1, 1995 between Borrower and Canadian National Railway Company and Rider 3 thereto, but only to the extent such Lease Agreement relates to the Railcars (the "Lease"), including all extensions of the term of the Lease, together with all rights, powers, privileges, options and other benefits of the Borrower under the Lease, including, without

limitation, the immediate and continuing right to receive and collect all rent, casualty value payments, insurance proceeds, condemnation awards, and other payments, tenders and security now or hereafter payable to or receivable by the Borrower, as lessor under the Lease, the right to make all waivers and consents and to enter into any modifications or amendments relating to the Lease and to give and receive duplicate copies of all notices and other instruments and communications, and the right to take such action upon occurrence of an Event of Default under the Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, to give all notices of default under the Lease, and to do all other things whatsoever which the Borrower is or may be entitled to do as lessor under the Lease.

C. any accounts, property, securities or monies of the Borrower arising in any way from the Railcars or the Lease which may at any time be assigned or delivered or come into the possession of the Lender, together with all proceeds thereof.

D. all of Borrower's right, title and interest in and to all warranties of title received by Borrower in connection with its acquisition of the Railcars, including the warranty of title provided by Nationsbanc Leasing Corporation in its bill of sale to Rail Trusts Equipment, Inc., which was assigned to Borrower pursuant to the Assignment of Warranties in the form attached hereto as Exhibit B.

The term "Collateral" as used herein means each and all of the items of Collateral described above and the term "proceeds" as used herein includes, without limitation, the proceeds of all insurance policies covering all or any part of such items of Collateral.

2. Payment and Performance. The Borrower will pay the Borrower's Liabilities as and when due and payable and will perform, comply with, and observe the terms and conditions of the Loan Documents to be performed, complied with, and observed by the Borrower.

3. Title to Collateral. The Borrower represents and warrants that it is the owner of the Collateral and has good and marketable title to the Railcars free and clear of all liens, security interests, and other encumbrances except for those in favor of the Lender and the Lease.

4. Further Assurances. The Borrower will defend its title to the Collateral against all persons and will, upon request of the Lender, (a) furnish such further assurances of title as may be required by the Lender, and (b) deliver and execute or cause to be delivered and executed, in form and content satisfactory to the Lender, any financing, continuation, termination, or security interest filing statement, security agreement, or other document as the Lender may request in order to perfect, preserve, maintain, or continue the perfection of the Lender's security interest in the Collateral and/or its priority. The Borrower will pay the costs of filing any financing, continuation, termination, or security interest filing statement as well as

any recordation or transfer tax required by law to be paid in connection with the filing or recording of any such statement. A carbon, photographic, or other reproduction of a security agreement or a financing statement is sufficient as a financing statement.

5. Transfer and Other Liens. The Borrower will not sell, lease, transfer, exchange, or otherwise dispose of the Collateral, or any part thereof, without the prior written consent of the Lender and will not permit any lien, security interest, or other encumbrance to attach to the Collateral, or any part thereof, other than those in favor of the Lender and the Lease.

6. Financial Statements, Books and Records. The Borrower will (a) at all times maintain, in accordance with generally accepted accounting principles, accurate and complete books and records pertaining to the Collateral and any contracts and collections relating to the Collateral, (b) furnish to the Lender promptly upon request, and in the form and content and at the intervals specified by the Lender, such financial statements, reports, schedules, and other information with respect to the Collateral as the Lender may from time to time require, (c) at all reasonable times and without hindrance or delay, permit the Lender or any person designated by the Lender to enter any place of business of the Borrower or any other premises where any books, records, and other data concerning the Collateral may be kept and to examine, audit, inspect, and make extracts from and photocopies of any such books, records, and other data, and (d) mark its books and records in a manner satisfactory to the Lender so that the Lender's rights in and to the Collateral will be shown.

7. Name of Borrower Place(s) of Business, and Location of Collateral. The Borrower represents and warrants that its correct legal name is as specified on the signature lines of this Agreement, and each legal or trade name of the Borrower for the previous twelve (12) years (if different from the Borrower's current legal name) is as specified below the signature lines of this Agreement. Without prior written notice to the Lender, the Borrower will not change its name. The Borrower warrants that the address of the Borrower's chief executive office is as specified below the signature lines of this Agreement. All books and records pertaining to the Collateral have been, are, and will be located at the Borrower's chief executive office specified below. The Borrower will immediately advise the Lender in writing of any change in the location of the places where the books and records concerning the Collateral, or any part thereof, are kept.

8. [Intentionally Omitted]

9. [Intentionally Omitted]

10. Taxes. Except to the extent that the validity or the amount thereof is being contested in good faith and by appropriate proceedings, the Borrower will pay all taxes, levies, license fees, assessments, and other impositions levied on the Collateral or any part thereof or for its use and operation prior to the date when any interest or penalty would accrue for the nonpayment thereof.

11. Performance by the Lender. If the Borrower fails to perform, observe, or comply with any of the conditions, terms, or covenants contained in this Agreement, the Lender, after notice to and demand upon the Borrower prior to an Event of Default and without notice to or demand upon the Borrower after an Event of Default and without waiving or releasing any of the Borrower's Liabilities or any Event of Default, may (but shall be under no obligation to) at any time thereafter perform such conditions, terms, or covenants for the account and at the expense of the Borrower, and may enter upon any place of business or other premises of the Borrower for that purpose and take all such action thereon as the Lender may consider necessary or appropriate for such purpose. All sums paid or advanced by the Lender in connection with the foregoing and all costs and expenses (including, without limitation, attorneys' fees and expenses) incurred in connection therewith (collectively, the "Expense Payments") together with interest thereon at a per annum rate of interest which is equal to the then highest rate of interest charged on the principal of any of the Borrower's Liabilities, plus one percent (1%) per annum, from the date of payment until repaid in full, shall be paid by the Borrower to the Lender on demand and shall constitute and become a part of the Borrower's Liabilities secured hereby.

12. Default. The occurrence of any one or more of the following events shall constitute an event of default (an "Event of Default") under this Agreement: (a) failure of the Borrower to perform, observe, or comply with any of the provisions of this Agreement, and such failure shall remain uncured for a period of thirty (30) days after the date of written notice from the Lender to the Borrower; or (b) the occurrence of an event of default (as defined therein) under any of the other Loan Documents.

13. Rights and Remedies Upon Default. Upon the occurrence of an Event of Default hereunder (and in addition to all of its other rights, powers, and remedies under this Agreement), the Lender may, at its option, and after notice to the Borrower, declare the unpaid balance of the Borrower's Liabilities to be immediately due and payable. The occurrence or non-occurrence of an Event of Default shall in no manner impair the ability of the Lender to demand payment of any portion of the Borrower's Liabilities which are payable on demand. The Lender shall have all of the rights and remedies of a secured party under the Illinois Uniform Commercial Code and other applicable laws. Upon the occurrence of an Event of Default hereunder, the Lender or its agents may enter upon the Borrower's premises to take possession of the Collateral, to remove it, to render it unusable, or to sell or otherwise dispose of it, all without judicial process or proceedings.

Any written notice of the sale, disposition, or other intended action by the Lender with respect to the Collateral which is required by applicable laws and is sent by certified mail, postage prepaid, to the Borrower at the address of the Borrower's chief executive office specified below, or such other address of the Borrower which may from time to time be shown on the Lender's records, at least ten (10) days prior to such sale, disposition, or other action, shall constitute reasonable notice to the Borrower. The Borrower shall pay on demand all costs and expenses, including, without limitation, attorneys' fees and expenses, incurred by or on behalf

of the Lender (a) in enforcing the Borrower's Liabilities, and (b) in connection with the taking, holding, preparing for sale or other disposition, selling, managing, collecting, or otherwise disposing of the Collateral. All of such costs and expenses (collectively, the "Liquidation Costs") together with interest thereon at a per annum rate of interest which is equal to the then highest rate of interest charged on the principal of any of the Borrower's Liabilities, plus one percent (1%) per annum, from the date of payment until repaid in full, shall be paid by the Borrower to the Lender on demand and shall constitute and become a part of the Borrower's Liabilities secured hereby. Any proceeds of sale or other disposition of the Collateral will be applied by the Lender to the payment of the Liquidation Costs and Expense Payments, and any balance of such proceeds will be applied by the Lender to the payment of the remaining Borrower's Liabilities in such order and manner of application as the Lender may from time to time in its sole discretion determine.

14. Non-Recourse. Notwithstanding any other provision herein but subject to the second sentence of this Section, all obligations of the Borrower hereunder, including, without limitation, the obligation to pay when due all principal, prepayment premiums, if any, and interest, shall be expressly nonrecourse to the Borrower and all such payments shall be made only from the income and proceeds from the Collateral and only to the extent that the Borrower shall have sufficient income and proceeds from the Collateral to make such payments. The foregoing limitation of recourse shall not limit, restrict or impair the rights of the Lender to accelerate the maturity of the Note upon a default hereunder, to bring suit and obtain a judgment against the Borrower on the Note, the Loan Agreement or this Agreement or to exercise all rights and remedies provided hereunder, or otherwise realize upon the Collateral; and, further, shall not be deemed to bar or prohibit the Lender from asserting a claim against, exercising remedies with respect to, or proceeding against the Borrower personally for any damages suffered by the Lender solely arising from any representation or warranty contained herein or in any of the other Loan Documents proving to be untrue when made or to have been breached, or the Borrower's failure to comply with the provisions of Section 5 hereof, Section 10 hereof, the last sentence of Section 18 hereof or Section 5 of the Loan Agreement.

15. Remedies Cumulative. Each right, power, and remedy of the Lender as provided for in this Agreement or in the other Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Agreement or in the other Loan Documents or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by the Lender of any one or more of such rights, powers, or remedies shall not preclude the simultaneous or later exercise by the Lender of any or all such other rights, powers, or remedies.

16. Waiver. No failure or delay by the Lender to insist upon the strict performance of any term, condition, covenant, or agreement of this Agreement or of the other Loan Documents, or to exercise any right, power, or remedy consequent upon a breach thereof, shall

constitute a waiver of any such term, condition, covenant, or agreement or of any such breach, or preclude the Lender from exercising any such right, power, or remedy at any later time or times. By accepting payment after the due date of any of the Borrower's Liabilities, the Lender shall not be deemed to have waived the right either to require payment when due of all other Borrower's Liabilities or to declare an Event of Default for failure to effect such payment of any such other Borrower's Liabilities. The Borrower waives presentment, notice of dishonor, and notice of non-payment with respect to accounts and chattel paper.

17. Miscellaneous. The paragraph headings of this Agreement are for convenience only and shall not limit or otherwise affect any of the terms hereof. Neither this Agreement nor any term, condition, covenant, or agreement hereof may be changed, waived, discharged, or terminated orally but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge, or termination is sought. This Agreement shall be governed by the laws of the State of Illinois and shall be binding upon the heirs, personal representatives, successors, and assigns of the Borrower and shall inure to the benefit of the successors and assigns of the Lender. As used herein, the singular number shall include the plural, the plural the singular, and the use of the masculine, feminine, or neuter gender shall include all genders, as the context may require, and the term "person" shall include an individual, a corporation, an association, a partnership, a trust, and an organization. Unless varied by this Agreement, all terms used herein which are defined by the Illinois Uniform Commercial Code shall have the same meanings hereunder as assigned to them by the Illinois Uniform Commercial Code.

18. Repair of Collateral. The Borrower will make all repairs of the Collateral in accordance with the Lease. The Borrower shall be personally liable for all of such repair costs in excess of \$100.00 per Railcar (as defined in the Loan Agreement) per month.

The signature and seal of the Borrower are subscribed to this Agreement the day and year written above.

ATTEST:

Lita K. Janning
Secretary

INTERAIL, INC.

By: Richard F. Seymour (SEAL)

Address of Borrower's chief executive office:

One Foxfield Square, Suite 200
St. Charles Illinois 60174

Previous legal and/or trade name(s) of the Borrower: NONE

ACKNOWLEDGEMENT

STATE OF ILLINOIS)
) SS
COUNTY OF Kane)

The forgoing instrument was acknowledged before me this May 11, 1995 by Richard F. Seymour, the President of INTERAIL, INC., a Kansas corporation, on behalf of the corporation.

Kathleen Kregul
Notary Public

(SEAL)



EXHIBIT A

DESCRIPTION OF RAILCARS

NOKL 16100 through 16149 (inclusive)

EXHIBIT B

COPIES OF BILL OF SALE OF NATIONSBANC LEASING CORPORATION
AND ASSIGNMENT FROM RAIL TRUSTS EQUIPMENT, INC.

INTENTIONALLY OMITTED